RenoDeMedici

RDM GROUP

HALF YEAR REPORT 2006

Pontenuovo di Magenta, 28 September 2006

- **Net revenues**: 163.3 million euros compared to 151.1 million at June 2005 (+8%), as a result of higher volumes sold by the Group's operating mills.

- **Gross operating profit (EBITDA)**: 16.7 million euros compared to 16.1 million at June 2005 (+4%), as a result of an initial recovery of selling prices combined with additional cost efficiencies.

- **Operating profit (EBIT)**: 5.1 million euros compared to 1.7 million at June 2005.

- **Net result for the period**: reflects the result of 'discontinued operations' (negative in the first half 2006 and positive, for extraordinary items, in the first half 2005) and is negative for 6.6 million euros (negative for 0.3 million euros at the end of June 2005).

- **Net financial debt**: 140.1 million euros, compared to 169.3 million at the end of December 2005 mostly as a result of the demerger and listing of RDM Realty S.p.A..

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The Board of Directors of Reno De Medici S.p.A. today approved the Half Year Report on 30 June 2006.

CONSOLIDATED RESULTS

The Reno De Medici Group (the "RDM Group" or the "Group") achieved net revenues of 163.3 million euros in the first half of 2006 compared to 151.1 million euros in the corresponding period of the previous year (up 8%)[1].

This performance reflects an increase of 12.4% in the volumes despatched compared to the six months ended 30 June 2005 (the 2005 figures do not include the volumes despatched by the production units whose results are presented as 'Discontinued operations').

[1] See the consolidated financial statements of the RDM Group.

Unit sales prices of the volumes sold in the first half of 2006 approached on average those of the first half of 2005, when there was a gradual fall in such prices right up to the end of the year.

New orders collected during the first half of 2006 reflected unit prices around 2.5% higher than those of the first half of 2005 and around 4% to 4.5% higher than those of the second half of the previous year. As a result, if cost factors remain unchanged, higher margins are to be expected from ordinary operations for the second half of 2006 compared to those of the corresponding period of 2005.

Operating profit (EBIT) of 5.1 million euros was achieved for the half year 2006 (after depreciation, amortisation and impairment of 11.6 million euros), compared to 1.7 million euros (after depreciation, amortisation and write-offs of 14.3 million euros) in the first half of the previous year.

Operating activities for the half year showed a profit before taxes of 0.3 million after a long period of negative results.

Profit and loss highlights for the six months ended 30 June 2006 and 2005 are shown in the following table:

Consolidated profit and loss account	First half 2006	First half 2005
Euro/000		
Revenues from sales	**163,273**	**151,130**
EBITDA	**16,743**	**16,060**
EBIT	**5,128**	**1,745**
Result of operating activities before taxes	**289**	**(18,909)**
Current and deferred taxes	*(2,685)*	*(1,783)*
Result of operating activities after taxes	**(2,396)**	**(20,692)**
Discontinued operations and non recurrent expenses	*(4,180)*	*20,377*
Result for the period	**(6,576)**	**(315)**

Gross operating profit (or EBITDA) closed at 16.7 million euros at a consolidated level for the half year compared to 16.1 million euros for the first half of 2005 (up 4.3%).

EBITDA for the second quarter of 2006 of 8.9 million euros increased by 21.9% over the same period of the previous year, when EBITDA amounted to 7.3 million euros, compared to a fall of 11.4% in the first quarter of 2006 over the first quarter of 2005 (7.8 million euros compared to 8.8 million euros in the first quarter of 2005).

The EBITDA performance only partially reflects the price increases which will have their full effect in the second half of 2006; on the other side EBITDA registers the steps taken to contain costs to set off the increase in energy charges.

In this regard the unit variable manufacturing costs of Reno De Medici S.p.A. ("RDM" or the "Parent Company") in the first half of 2006 (measured in euros per tonne) were essentially in line with those of the first half of 2005, despite the significant increase in unit energy costs of around 20%.

In addition fixed factory and headquarter costs fell by around 10% compared to the first half of 2005.

There was a net loss before discontinued operations of 2.4 million euros (compared to a net loss of 20.7 million euros for the previous period), which principally reflects net financial expense, including exchange differences, of 5.8 million euros (5.9 million euros for the first half of 2005), income from equity investments of 1.0 million euros (substantially in line with the figure for 2005) and taxation of 2.7 million euros (1.8 million euros for the first half of 2005).

A loss of 4.2 million euros was incurred by discontinued operations, compared to a gain of 20.4 million euros in the first half of 2005 which included the gain from the sale of Europoligrafico S.p.A.. In particular, as shown in the following table, the result from discontinued operations in the first half of 2006 includes the results for the period (the operating result) of the Prat facility and the Magenta MC1 line, which both ceased activities in 2005, the net economic contribution of Red.Im S.r.l. (which became part of RDM Realty S.p.A.) and the costs relating to the demerger operation and the consequent listing of RDM Realty S.p.A., and certain additional expenses relating to the sale of Europoligrafico S.p.A. and Aticarta S.p.A..

Discontinued operations and non recurrent expenses	1 Half 2006
	Euro/000
MC1 Magenta	(763)
Prat	(1,126)
Demerged operations	(409)
Demerger and listing expenses for RDM Realty	(1,353)
Expenses related to the sale of Europoligrafico and Aticarta	(529)
Total	**(4,180)**

The result from discontinued operations for the first half of 2005 also includes the results of the companies sold during 2005 (Europoligrafico S.p.A., Aticarta S.p.A. and Cogeneracion Prat S.A.).

The overall net result at 30 June 2006 therefore turned into a loss of 6.6 million euros as a result of the charge for current and deferred taxation (2.7 million euros) and the losses from discontinued operations (4.2 million euros).

The Group made investments in fixed assets of 3.0 million euros during the first half of 2006 (3.2 million euros for the first half of 2005).

Following the repayment of the bond on 4 May 2006, consolidated net financial debt at 30 June 2006 amounts to 140.1 million euros, compared to 169.3 million euros at 31 December 2005.

The decrease is principally due to the allocation to RDM Realty S.p.A. of the interest-bearing debt of Red.Im S.r.l. of 40 million euros pursuant to the finalisation of the demerger.

In addition the RDM Group incurred cash outflows of 9 million euros in the first half of 2006 principally due to the payments, currently still being made, to the former employees of the Prat facility (of Reno De Medici Iberica S.L.) as a settlement following the termination of

their employment contracts, and the costs connected with extraordinary operations (setting up new loans and the demerger and listing of RDM Realty S.p.A.).
In detail, gross financial debt at 30 June 2006 amounts to 157.8 million euros (compared to 253.9 million euros at 31 December 2005), which includes long-term credit facilities of 85.1 million euros, short-term facilities of 61 million euros, mostly consisting of advances on invoices issued to customers, and the portion of long-term loans becoming due within the next 12 months amounting to 11.7 million euros.

Liquidity and financial receivables at 30 June 2006 amount to 17.9 million euros.

SIGNIFICANT EVENTS

The deed for the partial and proportional demerger of RDM was formalised on 19 June 2006; under this operation, the net equity represented by the property assets held by the RDM Group but not forming part of its industrial business was transferred to the newly-established recipient company RDM Realty S.p.A. ("RDM Realty").

The formalisation of the merger deed followed the approval given by Borsa Italiana on 12 June 2006 for the admission to listing of the shares of RDM Realty, and the clearance provided by Consob on 15 June 2006 to the publication of the listing prospectus.

The demerger became effective on 21 June 2006 and from 22 June 2006 the shares of RDM Realty have been traded in class 1 of the Expandi Market, with the RDM shares being traded ex-demerger from that date.

A the result of the finalisation of the demerger, Red.Im S.r.l. is no longer within the scope of consolidation, with the consequence that 40 million euros of interest-bearing debt has also been deconsolidated.

For the purposes of completeness, it is additionally noted that on 1 May 2006 Reno De Medici Iberica S.L. ("RDM Iberica") acquired the business of its wholly-owned subsidiary Barneda Carton S.A. at its book value; the subsidiary is dedicated to cutting and commercial activities. Subsequently, on 17 May 2006, RDM Iberica sold its equity holding in Barneda Carton S.A. to third parties for an amount of 200 thousand euros.

OUTLOOK FOR THE CURRENT YEAR

Figures at 31 August 2006 for operations confirm an increase in volumes over the same period of the previous year and in particular despatches and purchase orders have both risen by 5%.

There has been a gradual recovery in the Group's sales volumes in 2006 (figures at 31 August). This is applicable in particular to the Italian market where there has been an improvement of 10% in sales volumes, attributable amongst other things to the reorganisation of the sales network that was carried out at the end of 2005. The Spanish market is affected by the closure of the Prat facility, whose economic contribution is included under "Discontinued operations", which led to lower volumes of approximately 20,000 tonnes. Despite this, a part of this volume, amounting to approximately 6,000 tonnes, has been recovered through increased production in the Italian factories. The volumes in the remainder of the European market are in line with those of the same period in 2005 even though the Group took the decision not to follow certain markets that generate low margins. Sales on the Overseas markets have fallen by approximately 17%, as has their percentage of total revenues (6.7% for the eight months ended 31 August 2006 compared to 8.9% for the period ended 31 August 2005).

On the price front the RDM Group is making every possible effort to take the appropriate steps to increase sales prices, in order to achieve higher margins in a reference market which remains weak.

As regards production costs, energy charges have risen in absolute terms by approximately 24% over the same period of last year, reflecting the trend in natural gas and electricity prices which have increased on average by respectively 37% and 24%.

Forecasts for the current year remain marked by caution in what is still an uncertain framework of reference. In this context, the Group is continuing with steps to rationalise costs and to seek out industrial and commercial efficiencies.

SUBSEQUENT EVENTS

With reference to the dispute with Grupo Torras S.A.[2] on 18 September 2006 the Madrid Appeals Court notified its decision in sentence no. 114 on the appeal made by Reno De Medici S.p.A. and Reno De Medici Iberica S.L. against sentence no. 43 issued by the Court of Madrid of the first level and notified on 8 September 2005. Sentence no. 114 rejected the appeals of both parties and confirmed the sentence of the first level.

As the Reno De Medici Group had already adjusted its financial statements following the sentence at the first level, to align these with the decision pronounced by the court on that occasion, there will be no negative accounting effects on the consolidated financial statements as the result of the rejection of the appeal.

Reno De Medici S.p.A. and Reno De Medici Iberica S.L. reserve the right, after further evaluation of the grounds of the judgement, to appeal at the Court of Third Instance.

[2] Reference should be made to the reports on the financial statements of prior years for a detailed description of the origin and evolution of such litigation.

CONSOLIDATED FINANCIAL STATEMENTS[3]

Consolidated profit and loss account	Note	First half 2006	First half 2005
Euro/000			
Revenues from sales		163,273	151,130
Other revenues		1,112	1,816
Changes in stocks of finished goods		5,017	2,357
Cost of raw materials and services	**C**	(124,662)	(109,900)
Staff costs		(26,420)	(26,768)
Other operating costs		(1,430)	(2,328)
Income (expense) from non-current assets held for sale		(371)	(54)
Unusual income (expense)	**D**	224	(193)
Gross Operating Profit (EBITDA)		**16,743**	**16,060**
Depreciation and amortisation	**E**	(11,615)	(12,142)
Recovery of value and write-downs of assets	**E**	-	(2,173)
Operating Profit (EBIT)		**5,128**	**1,745**
Financial expense		(6,325)	(7,428)
Exchange differencies		(152)	390
Financial income		642	1,109
Financial income (expense), net	**F**	(5,835)	(5,929)
Income from investments		996	1,181
Other income (expense)		-	(15,906)
Taxation		(2,685)	(1,783)
Profit (loss) for the period before discontinued operations		**(2,396)**	**(20,692)**
Gains (losses) from disposals, net		-	27,259
Loss for the period		(4,180)	(6,882)
Discontinued operations	**A**	(4,180)	20,377
Profit (loss) for the period		**(6,576)**	**(315)**
Attributable to:			
Profit (loss) for the period pertaining to the group		(6,746)	(806)
Profit (loss) for the period pertaining to minority interests		170	491
Earnings (loss) per share (Euros)		(0.025)	(0.001)
Diluted earnings (loss) per share (Euros)		(0.025)	(0.001)

[3] The audit of these figures is currently being finalised.

Consolidated balance sheet	Note	30.06.2006	31.12.2005
Euro/000			
ASSETS			
Non-current assets			
Tangible fixed assets	**G**	182,764	193,174
Investment property	**H**	-	1,284
Goodwill		146	146
Other intangible assets		2,876	3,309
Investments accounted for under the equity method		14,013	14,216
Deferred tax assets		651	577
Derivative financial instruments		216	-
Financial assets held for sale	**I**	964	219
Trade receivables		90	193
Other receivables	**J**	6,997	10,272
Total non-current assets		**208,717**	**223,390**
Current assets			
Stocks	**K**	84,411	92,979
Trade receivables		108,475	106,899
Other receivables	**L**	8,198	21,168
Derivative financial instruments	**N**	-	5,321
Financial assets held for sale		7	10
Liquid funds	**N**	11,224	56,779
Total current assets		**212,315**	**283,156**
Other non-current assets held for sale	**M**	**16,492**	**20,208**
TOTAL ASSETS		**437,524**	**526,754**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to the group		127,880	142,251
Minority interests		491	759
Shareholders' equity		**128,371**	**143,010**
Non-current liabilities			
Bank loans and other financial liabilities	**N**	83,756	28,270
Derivative financial instruments	**N**	5	-
Other payables	**O**	32,830	1,064
Deferred tax liabilities		8,302	2,293
Employees' leaving entitlement		17,077	17,324
Non-current provisions for contingencies and charges	**P**	5,996	7,425
Total non-current liabilities		**147,966**	**56,376**
Current liabilities			
Bank loans and other financial liabilities	**N**	74,049	220,056
Derivative financial instruments	**N**	398	1,242
Trade payables		71,165	72,552
Other payables	**Q**	14,394	33,247
Current taxation		1,181	271
Total current liabilities		**161,187**	**327,368**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**437,524**	**526,754**

Net financial position	30 June 2006	31 December 2005	Variation
Euro/000			
Cash	18	13	5
Funds available at banks	4,424	44,794	(40,370)
Restricted funds at banks	6,782	11,972	(5,190)
A. Cash and cash equivalents	**11,224**	**56,779**	**(45,555)**
Other current financial receivables	4,463	18,551	(14,088)
Derivatives - current financial assets	-	5,321	(5,321)
B. Current financial receivables	**4,463**	**23,872**	**(19,409)**
Bank overdrafts and short-term loans	60,725	58,418	2,307
Current portion of medium- and long-term loans	13,324	16,724	(3,400)
Bonds - current portion	-	144,914	(144,914)
Other current financial liabilities	-	5,552	(5,552)
Derivatives - current financial liabilities	398	1,242	(844)
C. Current financial debt	**74,447**	**226,850**	**(152,403)**
D. Current financial debt, net (C - A - B)	**58,760**	**146,199**	**(87,439)**
Non-current payables to banks	2,200	5,200	(3,000)
Derivatives - non-current financial liabilities	216	-	216
E. Non-current financial debt	**2,416**	**5,200**	**(2,784)**
Other non-current financial receivables	83,757	28,270	55,487
Derivatives - non-current financial liabilities	5	-	5
F. Non-current financial receivables	**83,762**	**28,270**	**55,492**
G. Non-current financial debt, net (E - F)	**81,346**	**23,070**	**58,276**
Q. Financial debt, net (D +G)	**140,106**	**169,269**	**(29,163)**

FINANCIAL STATEMENTS OF THE PARENT COMPANY[4]

At the same time as approving the half-year report, the Board of Directors also approved the financial statements of Reno De Medici S.p.A. which for the first time have been prepared in accordance with IFRS. The balance sheet and profit and loss account figures are set out below:

Profit and loss account		First half 2006	First half 2005
	Euro/000		
Revenues from sales		148,749	134,543
Other revenues		1,103	1,810
Changes in stocks of finished goods		1,297	3,257
Cost of raw materials and services		(111,635)	(99,041)
Staff costs		(22,997)	(23,328)
Other operating costs		(1,214)	(2,167)
Income (expense) from non-current assets held for sale		(370)	(54)
Unusual income (expense)		(93)	(10)
Gross Operating Profit (EBITDA)		**14,840**	**15,010**
Depreciation and amortisation		(12,363)	(12,153)
Recovery of value and write-downs of assets		-	-
Operating Profit (EBIT)		**2,477**	**2,857**
	Financial expense	(5,473)	(5,486)
	Exchange differencies	(130)	387
	Financial income	426	1,806
Financial income (expense), net		(5,177)	(3,293)
Income from investments		798	(17,638)
Other income (expense)		0	0
Taxation		(991)	(1,675)
Profit (loss) for the period before discontinued operations		**(2,893)**	**(19,749)**
	Gains (losses) from disposals, net	-	*23,193*
	Loss for the period	(2,751)	*0*
Discontinued operations		(2,751)	23,193
Profit (loss) for the period		**(5,644)**	**3,444**

[4] The effects of adopting IFRS are presented in the appendix to the half-year report "Transition by the Parent Company Reno De Medici S.p.A. to International Financial Reporting Standards (IFRS)", in which the reconciliations required by paragraphs 39 and 40 of IFRS 1, First-time Adoption of IFRS are provided together with a commentary on the reconciliations. The audit of these figures is also currently being finalised.

Balance sheet	30 June 2006	30 June 2005
Euro/000		
ASSETS		
Non-current assets		
Tangible fixed assets	184,440	192,772
Other intangible assets	1,491	1,794
Shares in subsidiary companies	77,700	79,494
Shares in associate companies	7,743	7,743
Derivative financial instruments	216	-
Financial assets held for sale	936	191
Trade receivables	90	104
Other receivables	889	4,142
Total non-current assets	**273,505**	**286,240**
Current assets		
Stocks	48,597	50,094
Trade receivables	77,533	76,569
Trade receivables due to subsidiary companies	20,153	37,582
Trade receivables due to associates	1,124	958
Otheer receivables	6,733	18,620
Liquid funds	1,574	43,208
Total current assets	**155,714**	**227,031**
Other non-current assets held for sale	**9,604**	**14,579**
TOTAL ASSETS	**438,823**	**527,850**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' funds		
Share capital	132,160	148,343
Share premium account	-	7,797
Other reserves	6,241	18,419
Fair value reserve	243	-
Hedging reserve	(69)	-
Own shares	(4,872)	(5,374)
Retained earnings (losses) brought forward	(745)	(3,426)
Profit (loss) for the year	(5,644)	(16,921)
Total shareholder's funds	**127,314**	**148,838**
Non-current liabilities		
Bank loans and other financial liabilities	83,114	27,487
Payable due to subsidiary companies	32,000	-
Derivative financial instruments	5	-
Other payables	625	651
Deferred tax liabilities	12,645	12,122
Employees' leaving entitlement	16,959	17,008
Non-current provisions for contingencies and charges	3,283	3,689
Total non-current liabilities	**148,631**	**60,957**
Current liabilities		
Bank loans and other financial liabilities	72,915	72,085
Derivative financial instruments	398	33,970
Trade payables due to third party	64,428	63,059
Payables due to subsidiary companies	14,276	131,672
Payables due to associates payables	608	947
Other payables	9,482	16,322
Current taxation	771	-
Total current liabilities	**162,878**	**318,055**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**438,823**	**527,850**

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